

**REPORT OF THE AUDIT OF THE
FORMER LAWRENCE COUNTY
SHERIFF**

**For The Period January 1, 2002
Through January 5, 2003**



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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
FORMER LAWRENCE COUNTY SHERIFF

For The Period January 1, 2002
Through January 5, 2003

The Auditor of Public Accounts has completed the former Lawrence County Sheriff's audit for the period January 1, 2002 through January 5, 2003. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees increased by \$8,644 from the prior calendar year, resulting in excess fees of \$8,907 as of January 5, 2003. Revenues increased by \$60,581 from the prior year and disbursements increased by \$51,937.

Report Comments:

- The Former Sheriff Did Not Submit A Quarterly Financial Statement To The Department For Local Government
- The Former Sheriff Should Present An Annual Settlement To The Fiscal Court And Publish The Financial Statement In The Newspaper
- The Former Sheriff Should Pay Excess Fees Of \$8,907
- The Former Sheriff Should Have Made Daily Deposits
- The Sheriff's Office Should Invest In An Interest Bearing Account
- Lacks Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Phillip Carter, Lawrence County Judge/Executive
Honorable Bobby J. Workman, Former Lawrence County Sheriff
Honorable Garrett Roberts, Lawrence County Sheriff
Members of the Lawrence County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the former County Sheriff of Lawrence County, Kentucky, for the period January 1, 2002 through January 5, 2003. This financial statement is the responsibility of the former County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the former County Sheriff for the period January 1, 2002 through January 5, 2003, in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Phillip Carter, Lawrence County Judge/Executive
Honorable Bobby J. Workman, Former Lawrence County Sheriff
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In accordance with Government Auditing Standards, we have also issued our report dated May 8, 2003, on our consideration of the former County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discuss the following report comments:

- The Former Sheriff Did Not Submit A Quarterly Financial Statement To The Department For Local Government
- The Former Sheriff Should Present An Annual Settlement To The Fiscal Court And Publish The Financial Statement In The Newspaper
- The Former Sheriff Should Pay Excess Fees Of \$8,907
- The Former Sheriff Should Have Made Daily Deposits
- The Sheriff's Office Should Invest In An Interest Bearing Account
- Lacks Adequate Segregation Of Duties

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 8, 2003

LAWRENCE COUNTY
BOBBY J. WORKMAN, FORMER COUNTY SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Period January 1, 2002 Through January 5, 2003

Receipts

Federal Grants:

COPS Grant	\$ 34,617	
Lake Patrol	<u>11,905</u>	\$ 46,522

State Fees For Services:

Finance and Administration Cabinet	\$ 9,003	
Cabinet For Human Resources	<u>5,750</u>	14,753

Circuit Court Clerk:

Sheriff Security Service		6,807
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Fiscal Court

13,366

County Clerk - Delinquent Taxes

1,759

Commission On Taxes Collected

142,786

Fees Collected For Services:

Auto Inspections	\$ 8,390	
Accident and Police Reports	187	
Advertising Fees	1,610	
Serving Papers	17,743	
10% Sheriff's Penalty on Tax Collections	27,448	
Carrying Concealed Deadly Weapon Permits	2,775	
Other	<u>6,900</u>	65,053

Other:

Drug Forfeiture and Seizures	\$ 3,321	
Miscellaneous	<u>4,408</u>	7,729

Interest Earned

1,954

Borrowed Money:

State Advancement		<u>54,000</u>
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Total Receipts

\$ 354,729

The accompanying notes are an integral part of the financial statement.

LAWRENCE COUNTY
BOBBY J. WORKMAN, FORMER COUNTY SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
For The Period January 1, 2002 Through January 5, 2003
(Continued)

Disbursements

Operating Disbursements:

Personnel Services-

Deputies' Salaries	\$ 134,068
Lake Patrol	6,245
Bookkeeping Services To Close Account	14,808

Employee Benefits-

Employer's Share Social Security	11,039
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Contracted Services-

Auto Inspections	745
Advertising	688

Materials and Supplies-

Office Materials and Supplies	10,645
Police and Uniform Supplies	7,228

Other Charges-

Transportation Expenses	255
Carrying Concealed Deadly Weapon Permits	4,590
Computer Expense	226
Service Charges	600
Training Expense	1,704
Postage	362
Miscellaneous	2,798

Auto Expense-

Gasoline	20,273
Maintenance and Repairs	13,289

Debt Service-

State Advancement	<u>54,000</u>
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Total Disbursements	<u>\$ 283,563</u>
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Net Receipts	\$ 71,166
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Less: Statutory Maximum	<u>62,259</u>
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Excess Fees Due County for 2002	<u><u>\$ 8,907</u></u>
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The accompanying notes are an integral part of the financial statement.

LAWRENCE COUNTY
NOTES TO FINANCIAL STATEMENT

January 5, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at January 5, 2003.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent for the first six months of the year and 6.34 percent for the last six months of the year.

LAWRENCE COUNTY
NOTES TO FINANCIAL STATEMENT
January 5, 2003
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The former Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of January 5, 2003, the former Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the former Sheriff's agent in the former Sheriff's name, or provided surety bond which named the former Sheriff as beneficiary/obligee on the bond.

COMMENTS AND RECOMMENDATIONS

LAWRENCE COUNTY
BOBBY J. WORKMAN, FORMER COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Period January 1, 2002 Through January 5, 2003

STATE LAWS AND REGULATIONS:

1. The Former Sheriff Did Not Submit A Quarterly Financial Statement To The Department For Local Government

The former Sheriff, Bobby Workman, did not submit a quarterly financial statement to the Department For Local Government for 2002. According to KRS 68.210, the state local finance officer may require all local government officials to submit financial reports. We recommend that the former Sheriff comply with KRS 68.210 and file his quarterly financial status report with the Department For Local Government for 2002.

Former County Sheriff's Response:

Okay.

2. The Former Sheriff Should Present An Annual Settlement To The Fiscal Court And Publish The Financial Statement In The Newspaper

The former Sheriff, Bobby Workman, did not present an annual financial settlement to the fiscal court and did not publish his financial statement for 2002. KRS 134.310 requires the Sheriff to file his financial settlement with the fiscal court. In addition, KRS 424.220(6) & (8) requires the sheriff to publish the financial settlement within sixty days after the close of the calendar year. We recommend the former Sheriff, Bobby Workman, present his financial settlement to the fiscal court and publish this financial statement in the newspaper.

Former County Sheriff's Response:

This is usually done at the time excess fees are presented.

3. The Former Sheriff Should Pay Excess Fees Of \$8,907

The former Sheriff owes \$8,907 in excess fees for 2002. We have presented our audited Statement of Receipts, Disbursements and Excess Fees in our audit report, which states excess fees of \$8,907 are due the fiscal court for 2002. We recommend that the former Sheriff Pay \$8,907 to the Fiscal Court as soon as possible.

Former County Sheriff's Response:

Okay.

LAWRENCE COUNTY
BOBBY J. WORKMAN, FORMER COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Period January 1, 2002 Through January 5, 2003
(Continued)

4. The Former Sheriff Should Have Made Daily Deposits

The former Sheriff did not deposit receipts daily. During our test of receipts it came to our attention that the former sheriff made deposits based upon how much the former sheriff collected rather than making deposits on a daily basis. The State Local Finance officer under the authority of KRS 68.210 has established minimum accounting requirements with include depositing receipts intact on a daily basis and reconciling receipts to a daily checkout sheet. We recommend that the sheriff's office deposit receipts daily as required by the State Local Finance Officer.

Former County Sheriff 's Response:

There are times when daily deposits cannot be worked up on a particular day because of problems with checks received, usually with mortgage companies.

5. The Sheriff's Office Should Invest In An Interest Bearing Account

The former Sheriff deposited fee account money into a non-interest bearing account. KRS 66.480 states, "the county officials at the direction of the fiscal court shall invest and reinvest money subject to their control and jurisdiction." It is a prudent business practice to deposit money into an interest bearing account. In the future, we recommend that the sheriff's office deposit money into an interest bearing account.

Former County Sheriff 's Response:

The fee account does not merit an interest bearing account because of the low daily balances.

LAWRENCE COUNTY
BOBBY J. WORKMAN, FORMER COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Period January 1, 2002 Through January 5, 2003
(Continued)

INTERNAL CONTROL - REPORTABLE CONDITIONS:

Lacks Adequate Segregation Of Duties

During our audit we noted the former Sheriff's internal control structure lacks an adequate segregation of duties. This deficiency occurs when someone has custody over assets and the responsibility of recording financial transactions. In our judgment, this condition could adversely affect the Sheriff's ability to record, process, summarize, and report accurate financial information. We recommend the Sheriff's office obtain additional staff to divide the responsibilities or implement the following compensating controls that would help offset the lack of adequate segregation of duties:

- Cash periodically recounted and deposited by the Sheriff
- Periodic reconciliation of reports to source documents by the Sheriff
- All disbursement checks signed by two people, one must be the Sheriff
- Disbursements checks periodically examined by the Sheriff for proper documentation
- The Sheriff mails disbursements
- The Sheriff or someone independent of cash receipts and disbursements prepares bank reconciliations monthly

Former County Sheriff's Response:

Okay.

INTERNAL CONTROL - MATERIAL WEAKNESSES:

None.

PRIOR YEAR:

1. The Sheriff Should Present An Annual Financial Settlement To The Fiscal Court And Publish The Annual Financial Statement
2. Lacks Adequate Segregation Of Duties

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of receipts, disbursements, and excess fees of the former Lawrence County Sheriff for the period January 1, 2002 through January 5, 2003, and have issued our report thereon dated May 8, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the former Lawrence County Sheriff's financial statement for the period January 1, 2002 through January 5, 2003, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The Former Sheriff Did Not Submit A Quarterly Financial Statement To The Department For Local Government
- The Former Sheriff Should Present An Annual Settlement To The Fiscal Court And Publish The Financial Statement In The Newspaper
- The Former Sheriff Should Pay Excess Fees Of \$8,907
- The Former Sheriff Should Have Made Daily Deposits
- The Sheriff's Office Should Invest In An Interest Bearing Account



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Lawrence County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying comments and recommendations.

- Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 8, 2003

